

Message Text

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15

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-02

H-02 PA-01 PRS-01 USIA-06 AGR-05 TAR-01 /086 W

----- 104929

R 111245Z APR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8605

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 2737

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: BALANCE OF PAYMENTS IN FIRST QUARTER

REF: BRASILIA 1704

1. SUMMARY: FINANCE MINISTER SIMONSEN ANNOUNCES A TRADE DEFICIT OF \$800 MILLION FOR THE FIRST QUARTER; SAYS IMPORTS STABILIZED DURING FEBRUARY AND MARCH AND EXPRESSES OPTIMISM ABOUT REACHING THE 1975 OFFICIAL TARGET OF \$10.0 BILLION FOR EXPORTS. HE CONFIRMED THAT OFFICIAL RESERVES DROPPED INITIALLY BUT ARE NOW ON THE UPSWING, ALTHOUGH STILL BELOW \$5.0 BILLION. SIMONSEN READINESS TO DISCUSS BALANCE OF PAYMENTS SITUATION OPENLY SEEMS TO US TO BE AN ATTEMPT TO PREVENT FALSE FUMORS IN THE FACE OF INCOMPLETE PUBLISHED DATA ON THE EXTERNAL POSITION. END SUMMARY.

2. FINANCE MINISTER SIMONSEN ANNOUNCED ON
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APRIL 9 THAT, BASED ON PRELIMINARY INDICATIONS,

THE TRADE DEFICIT DURING THE FIRST QUARTER CAME TO \$800 MILLION, WITH IMPORTS AMOUNTING TO \$2.8 BILLION AND EXPORTS \$2.0 BILLION. THE MINISTER CONFIRMED THAT IMPORTS DURING FEBRUARY AND MARCH AVERAGED \$1.0 BILLION PER MONTH (FINAL DATA SHOWED IMPORTS IN JANUARY AT \$815 MILLION (REFTEL A). ON THE EXPORT SIDE, THE MINISTER SAID THAT THE FIRST FEW MONTHS OF THE YEAR ARE SEASONABLY SLOW MONTHS, AND EXPRESSED OPTIMISM ABOUT AN IMPROVED PERFORMANCE STARTING IN MAY, WITH THE BEGINNING OF THE AGRICULTURAL EXPORT SEASON. HE REMAINS HOPEFUL OF ACHIEVING THE \$10.0 BILLION EXPORT TARGET FOR THE YEAR.

3. COMMENTING ON RECENT NEWSPAPER REPORTS, ABOUT THE AVAILABILITY OF THE IMF OIL FACILITY FUNDS THE MINISTER SAID THAT BRAZIL PREFERS TO USE SUCH A FACILITY AS A SECOND LINE RESERVE, TO BE USED ONLY "IN MORE VIGOROUS EMERGENCY." HE ESTIMATED BRAZIL'S BORROWING CAPACITY UNDER THE OIL FACILITY AT \$550 MILLION.

4. WITH RESPECT TO TRENDS IN OFFICIAL RESERVES, SIMONSEN INDICATED THAT AFTER AN INITIAL DECLINE THEY ARE NOW INCREASING BUT ARE STILL BELOW \$5.0 BILLION. (AT THE END OF 1974, RESERVES AMOUNTED TO \$5.2 BILLION).

COMMENT:

5. SIMONSEN'S READINESS TO DISCUSS OPENLY THE BALANCE OF PAYMENTS SITUATION APPEARS TO US TO BE PART OF A PSYCHOLOGICAL CAMPAIGN TO PREVENT THE SPREAD OF FALSE RUMORS WHICH INEVITABLY OCCURS AT A TIME WHEN THE BALANCE OF PAYMENTS IS GOING THROUGH A DIFFICULT PERIOD AND PUBLISHED DATA ON EXTERNAL DEVELOPMENT ARE FAR FROM COMPLETE. IT WILL BE RECALLED THAT LAST FALL BOTH THE RIO AND SAO PAULO BANKING COMMUNITIES WERE ABUZZ WITH RUMORS ABOUT RESERVE LEVELS AND TRENDS -- MOST OF THEM FALSE, AS IT TURNED OUT. AWARE OF A LIMITED OFFICIAL USE

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POSSIBLE REPETITION OF THIS, THE MINISTER'S REMARKS ARE SEEN AS A PREVENTIVE ACTION.

6. IT MAYBE OF INTEREST TO NOTE ALSO THAT DURING HIS MEETING WITH THE PRESS THE MINISTER REITERATED THE GOVERNMENT'S DETERMINATION TO HOLD BACK THIS YEAR'S IMPORTS. HE IMPLIED SATISFACTION WITH THE IMPORT LEVELS FOR FEBRUARY AND MARCH, SAYING THAT

THEY APPEAR TO HAVE STABILIZED. HE IS REPORTED TO
HAVE SAID THAT HE IS "TRANQUIL" WITH THE TRADE
RESULTS OF THE FIRST QUARTER.
CRIMMINS

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